58th Report

LIQUOR CONTROL BOARD OF ONTARIO

APRIL 1, 1983 to MARCH 31, 1984

Formed in 1927, the Liquor Control Board of Ontario was incorporated as a Crown Corporation under The Liquor Control Act, 1975. The Board regulates the sale and transportation of liquor throughout the province and establishes stores for the sale of liquor to the public. Also, it purchases products for sale to the public and maintains quality control over those products.

Liquor Control Board of Ontario
55 Lakeshore Boulevard East
Toronto, Ontario
M5E 1A4

Ontario

Highlights

	1984	1983	1982
	($000)	($000)	($000)
Sales	**$1,504,738**	$1,467,296	$1,329,263
Increase in %/ previous year	**2.6%**	10.4%	12.4%
	($000)	($000)	($000)
Operating expenses	**$ 207,507**	$ 204,142	$ 144,691
% of expenses/sales	**13.8%**	13.9%	10.9%
	($000)	($000)	($000)
Net income	**$ 542,115**	$ 523,228	$ 507,764
% of income/sales	**36.0%**	35.6%	38.2%
Self-serve stores in operation	**500**	481	460
Total stores in operation	**602**	601	591
Number of permanent employees	**3,436**	3,476	3,505
Number of regular products listed	**2,359**	2,347	2,279

Liquor Control Board of Ontario

55 Lake Shore Boulevard East
Toronto, Ontario M5E 1A4
September 1, 1984

The Honourable John Black Aird, O.C., Q.C., B.A., LL.D.
The Lieutenant Governor of Ontario
Queen's Park
Toronto, Ontario M7A 1A1

Your Honour,

The 58th Report and Financial Statements of the Liquor Control Board of Ontario are submitted herewith pursuant to Section 7 of the Liquor Control Act, R.S.O. 1980, as well as the report of the Provincial Auditor.

This report summarizes the Board's activities during the fiscal year ended March 31, 1984 and includes operational highlights for the year.

After decades of continuous growth, total sales volume declined for the first time and was 3.1% less than the previous year. The largest volume decrease was in the spirits category, as spirit sales dropped to their lowest level in ten years. Total sales of $1.5 billion through Board stores did increase by 2.6% but this was still below the inflation rate as consumers spent less on discretionary items such as alcohol beverages.

Adherence by the Board to the provincial restraint program, together with a strong effort to control costs, resulted in total expenditures increasing only 1.6% over the previous year. Construction costs of the new Whitby Warehouse were $39 million, representing 19% of all Board expenditures. This major project is nearing completion and it is expected the warehouse will be fully operational in the coming year.

Also of significance was the new emphasis and commitment placed on the strategic planning process to assist the Board in carrying out its responsibilities as a business oriented Crown Corporation.

The period under review in this Report was prior to my assuming office as Chairman. I would like to take this opportunity to pay a special tribute to my predecessor, William J. Bosworth, for his fine record in his tenure as Chairman.

I would like to thank the dedicated employees of the Board for their support and contribution to a successful and efficient operation during the past year.

A warm acknowledgement is also extended to the Part-time Board Members, F.H.S. Hooper, R.D. Rowe, J.M. Thompson and F.A. MacInnis, General Manager, and all Executives for their assistance and achievements over the past year.

I have the honour to be, Sir,

Your Obedient Servant,
J.W. Ackroyd
Chairman

Sales

Total sales of spirits, wine and beer by Board stores during the fiscal year ended March 31, 1984 were $1,504,737,798. Of this total $215,054,688 or 14.3% consisted of sales to licensed establishments. Sales of Ontario wine made directly to customers by licensed retail wine stores and wineries in Ontario amounted to $41,188,188. The net value of beer sold in Ontario by breweries and brewers' retail outlets, exclusive of the cost of containers, totalled $1,084,471,141.

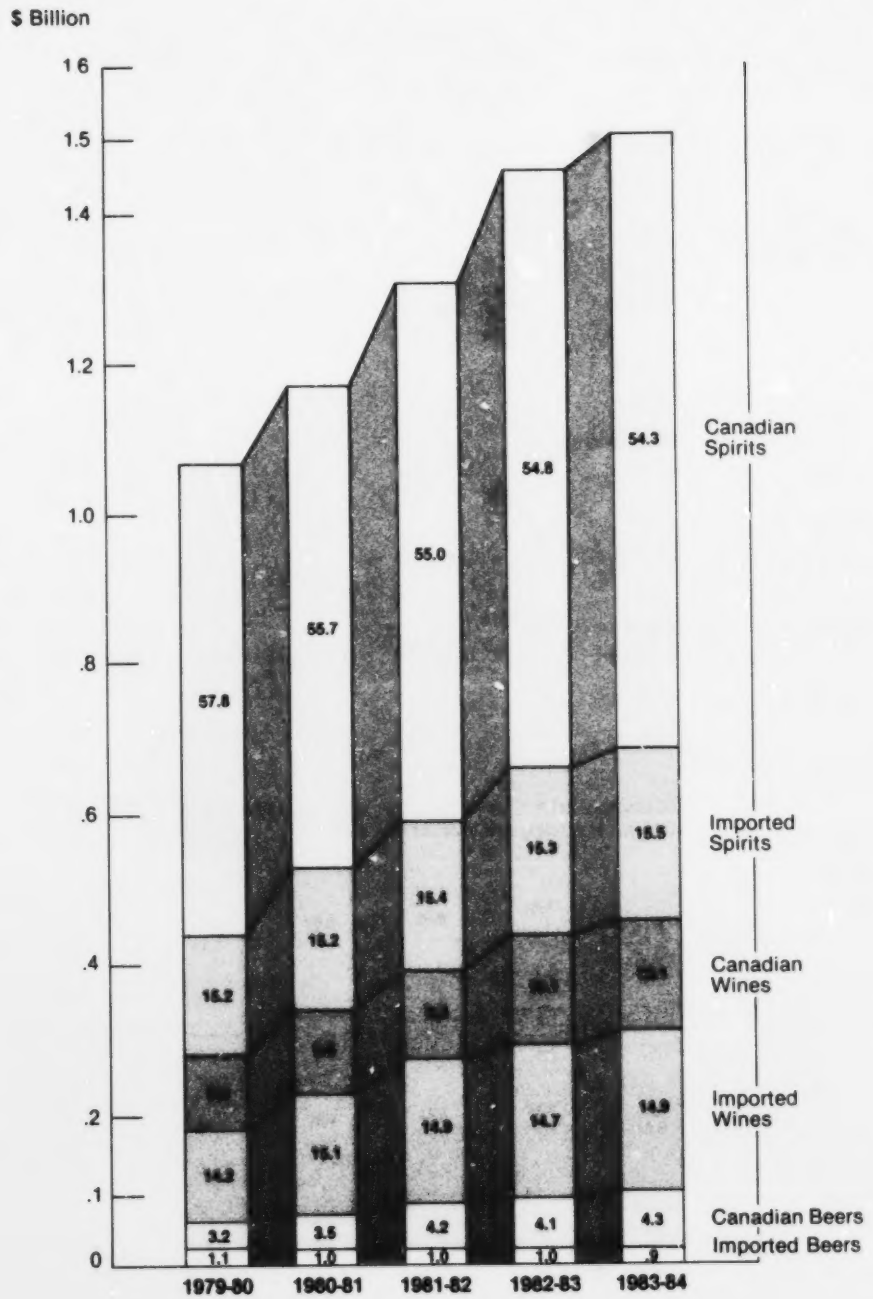
The following tables show increases (decreases) in sales for the fiscal year under review as compared with the previous year's totals:

Sales by Value

	Fiscal Year Ended March 31, 1984	Fiscal Year Ended March 31, 1983	Increase (Decrease)
Sales by Board Stores			
Canadian Spirits	$ 817,966,606	$ 804,568,205	$ 13,398,401
Imported Spirits	233,382,219	224,852,963	8,529,256
*Canadian Wines	151,299,922	148,027,970	3,271,952
Imported Wines	224,054,741	215,182,624	8,872,117
Canadian Beers	64,938,932	60,471,657	4,467,275
Imported Beers	13,095,378	14,193,412	(1,098,034)
Total Sales by Board Stores	$1,504,737,798	$1,467,296,831	$ 37,440,967
Sales by Ontario Wineries and Winery Stores	$ 41,188,188	$ 32,792,391	$ 8,395,797
Sales by Breweries and Brewers' Retail Stores (exclusive of container value)	$1,084,471,141	$ 982,557,438	$101,913,703

*Includes Ontario wine sales of $143,777,242 during fiscal year ended March 31, 1984 compared with $138,973,130 during previous year.

Dollar Sales By Category: Percent of Total 1979-80 to 1983-84

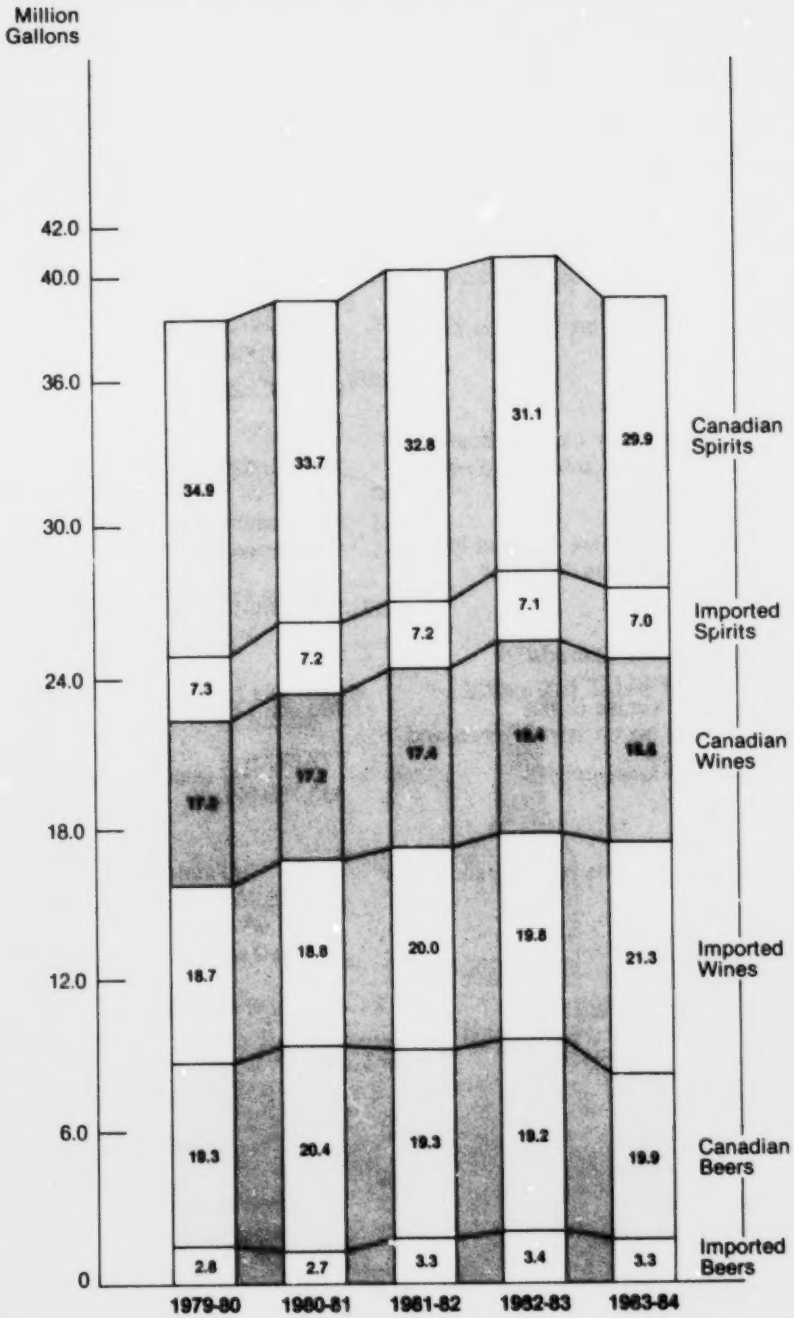


Sales by Gallons

	Fiscal Year Ended March 31, 1984	Fiscal Year Ended March 31, 1983	Increase (Decrease)
Sales by Board Stores			
Canadian Spirits	11,741,172	12,581,818	(840,646)
Imported Spirits	2,739,644	2,856,267	(116,623)
*Canadian Wines	7,341,123	7,866,489	(525,366)
Imported Wines	8,373,152	8,026,021	347,131
Canadian Beers	7,826,641	7,754,093	72,548
Imported Beers	1,293,017	1,371,048	(78,031)
Total Sales by Board Stores	39,314,749	40,455,736	(1,140,987)
Sales by Ontario Wineries and Winery Stores	2,055,997	1,800,966	255,031
Sales by Breweries and Brewers' Retail Stores	161,818,396	158,924,666	2,893,730

*Includes Ontario wine sales of 6,981,939 gallons during fiscal year ended March 31, 1984 compared with 7,426,044 gallons during previous fiscal year

Gallon Sales By Category: Percent of Total 1979-80 to 1983-84



Revenue Payments

Levies on beverage alcohol sold in the province during the year contributed an amount in excess of $1 billion to the Treasurer of Ontario. Also, revenue paid to the Government of Canada exceeded $500 million for the first time. These amounts do not include corporation, realty and business taxes paid by the distilleries, wineries, breweries and licence holders. Ontario retail sales tax collected by licence holders and agency stores on sales of beverage alcohol is also excluded from these figures.

A summary of these revenue payments is as follows:

Treasurer of Ontario		
Remitted by the Liquor Control Board		
—on account of profits	$520,000,000	
—Ontario retail sales tax on sales through liquor stores	148,000,522	
	668,000,522	
Remitted by the Liquor Licence Board		
—on account of licence fees and permits	236,239,520	
Remitted by Others		
—Ontario retail sales tax on sales through brewers' retail stores and retail wine stores	96,479,712	$1,000,719,754
Receiver General For Canada		
Paid by the Board		
—Customs and Excise Duties	260,882,175	
—Federal sales tax on spirits, wines and imported beers	72,877,817	
	333,759,992	
Paid by Others		
—Malt duties and taxes on domestic beers and wines	242,613,356	576,373,348
Ontario Municipalities		
Paid by the Board		
—Grants in lieu of realty and business taxes		3,291,072
		$1,580,384,174

Retail Price Breakdown Examples As At March 31, 1984

Domestic Spirit—710 mL Bottle (25 oz.)

Provincial Sales Tax	$ 1.36
LCBO Mark-Up	5.89
Federal Sales Tax	.58
Federal Excise Duty	2.74
Supplier Price to LCBO	2.08
	$12.65

Summary

Supplier	2.08
Federal Government	3.32
Provincial Government	7.25
	12.65

Imported Spirit—710 mL Bottle (25 oz.)

Provincial Sales Tax	$ 1.66
LCBO Mark-Up	7.59
Federal Sales Tax	.65
Federal Import Duty	2.80
Supplier Price to LCBO	2.75
	$15.45

Summary

Supplier	2.75
Federal Government	3.45
Provincial Government	9.25
	15.45

Ontario Table Wine—1 Litre Bottle (35.2 oz.)

Provincial Sales Tax	$ .54
LCBO Mark-Up	1.64
Federal Sales Tax	.30
Federal Excise Duty	.40
Supplier Price to LCBO	2.12
	$5.00

Summary

Supplier	2.12
Federal Government	.70
Provincial Government	2.18
	5.00

Imported Table Wine—1 Litre Bottle (35.2 oz.)

Provincial Sales Tax	$ .60
LCBO Mark-Up	2.77
Federal Sales Tax	.21
Federal Duty & Excise	.47
Supplier Price to LCBO	1.55
	$5.60

Summary

Supplier	1.55
Federal Government	.68
Provincial Government	3.37
	5.60

Financial Statements

LIQUOR CONTROL BOARD OF ONTARIO
(Incorporated under the Liquor Control Act)

Balance Sheet

March 31, 1984

ASSETS

	1984	1983
	$	$
Current		
Cash	46,374,698	20,300,802
Accounts receivable, trade and others	1,203,631	3,550,497
Inventories, at cost	122,396,480	129,242,615
Prepaid expenses	1,323,094	959,793
	171,297,903	154,053,707
Fixed (note 1)	1	1
	171,297,904	154,053,708

LIABILITIES AND RETAINED INCOME

Current		
Accounts payable and accrued liabilities	83,529,499	88,400,471
Retained income	87,768,405	65,653,237
	171,297,904	154,053,708

See accompanying notes to financial statements.

Approved: J. W. ACKROYD, Chairman — F. A. MacINNIS, General Manager

Audit Report

To the Liquor Control Board of Ontario and
to the Minister of Consumer and Commercial Relations

I have examined the balance sheet of the Liquor Control Board of Ontario as at March 31, 1984 and the statements of income and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1984 and the results of its operations for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Board and to the Minister.

Toronto, Ontario
September 5, 1984.

D.F. Archer, F.C.A.,
Provincial Auditor.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income

Year ended March 31, 1984

	1984	1983
	$	$
Sales	1,504,737,798	1,467,296,832
Cost of sales	761,275,680	746,512,482
Gross income	743,462,118	720,784,350
Operating expenses		
Salaries and employee benefits	124,221,379	117,741,756
Rent	14,780,764	13,302,381
Repairs and maintenance	3,131,979	3,441,950
Grants in lieu of taxes	3,291,072	3,169,968
Utilities	4,161,295	3,479,299
Packing material	1,856,435	1,961,064
Stationery	1,086,999	1,041,593
Travelling	569,650	510,480
Stock breakage and losses	1,397,202	1,500,275
Agency commissions and expenses	933,961	878,742
Armoured car services	1,110,300	932,393
Security services	171,941	121,367
Equipment rental and supplies	636,042	692,853
Telephone and telegraph	634,022	566,125
Other	5,231,820	4,040,801
Fixed assets	44,292,718	50,761,698
	207,507,579	204,142,745
Operating income	535,954,539	516,641,605
Other income		
Special occasion permit purchase fees	3,801,214	3,704,226
Interest on bank balances	678,810	1,829,559
Miscellaneous income	1,680,605	1,052,596
	6,160,629	6,586,381
Net income for the year	542,115,168	523,227,986

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Retained Income

Year ended March 31, 1984

	1984	1983
	$	$
Balance, beginning of year	65,653,237	75,425,251
Add net income for the year	542,115,168	523,227,986
	607,768,405	598,653,237
Deduct payments to the Treasurer of Ontario on account of net income	520,000,000	533,000,000
Balance, end of year	87,768,405	65,653,237

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements

March 31, 1984

1. SIGNIFICANT ACCOUNTING POLICY

   Basis of Accounting

   The Board's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisition and carried on the books at a nominal value of $1.00.

2. SELF-INSURANCE

   The Board follows the policy of self-insuring its store assets for property damage such as fire, water and vandalism or theft.

3. FIXED ASSETS

   The total accumulated costs of fixed assets at year end, less disposals, are as follows:

	1984	1983
	$	$
Land	10,407,527	10,223,942
Buildings	58,741,368	55,439,169
Construction in progress (Distribution Warehouse—Whitby) (note 4)	91,823,390	52,753,588
Furniture and equipment	11,224,530	11,076,053
Leasehold improvements	10,821,735	10,881,563
	183,018,550	140,374,315

4. CONSTRUCTION IN PROGRESS: DISTRIBUTION WAREHOUSE—WHITBY

The Board is building a new automated warehouse in Whitby, Ontario with total costs estimated at $108,000,000 through the calendar year 1984. Details of the expenditures are as follows:

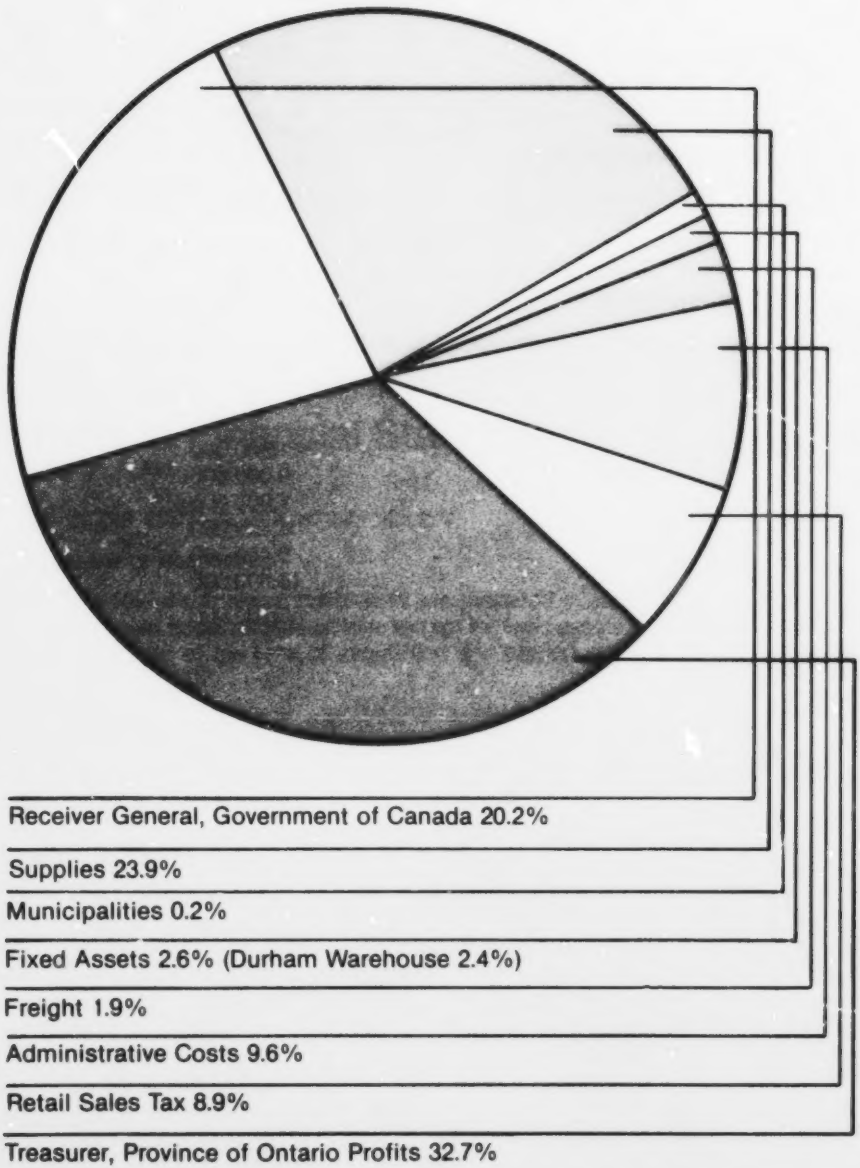
	1984	1983
	$	$
Land	3,026,013	3,026,013
Building	88,729,420	49,711,194
Furniture and equipment	67,957	16,381
	91,823,390	52,753,588
Pallets	2,065,763	495,501
Estimated cost to complete	14,110,847	54,750,911
	108,000,000	108,000,000

5. LEASE COMMITMENTS

The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

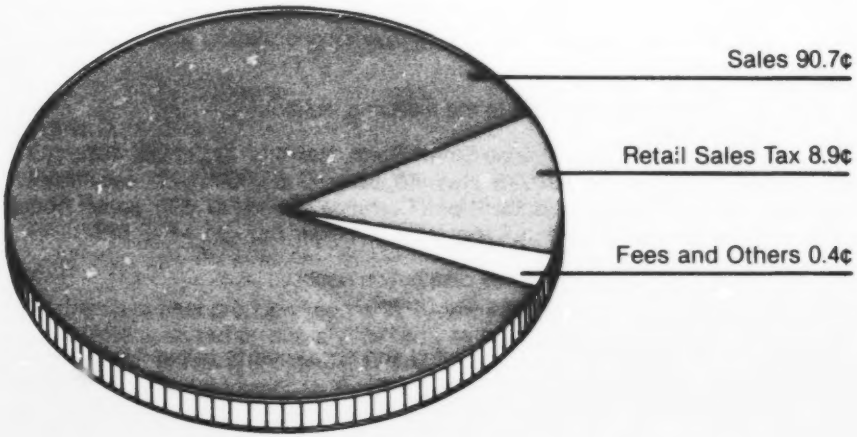
	$
1985	11,200,000
1986	9,000,000
1987	7,900,000
1988	6,700,000
1989	5,400,000
Thereafter	16,500,000
	56,700,000

Liquor Control Board of Ontario
Distribution of Gross Revenue
1983-1984

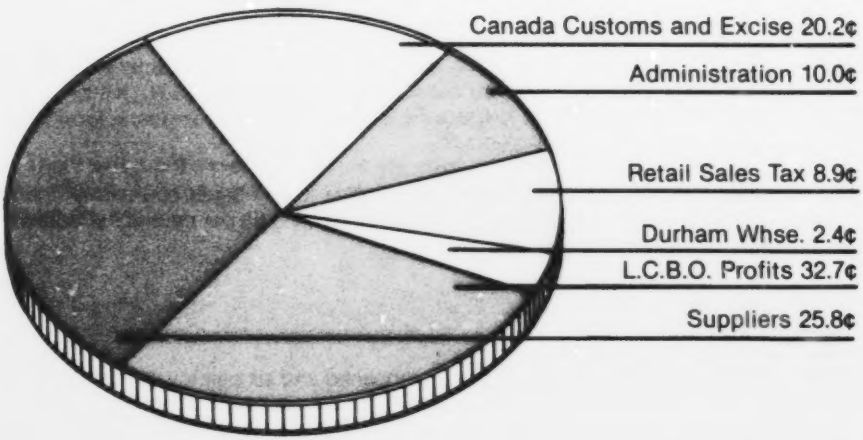


The L.C.B.O. Dollar
1983-1984

Where it came from



How it was spent



Retail Division—Store Operations

Board Stores

The Board operated 602 facilities during the year including the Toronto distribution depot, two duty-free stores at the Pearson International Airport and two rare wine and spirits stores.

Four new outlets were opened at the following locations:

October 31, 1983	174 Catherine Street North, Hamilton (D.D.) L8L 4S5
November 4, 1983	P.O. Box 219, Hwy. 69, Alban (S.S.) P0M 1A0
November 16, 1983	408 Lyndock Street, Corrunna (S.S.) N0N 1G0
January 16, 1984	620 Arthur Street West, Thunder Bay (S.S.) P7E 5R8

(D.D.) denotes distribution depot
(S.S.) denotes self-serve

The following two stores were relocated and converted to self-serve operations during the year.

Store	From	To
51	21 Woolwich Street	55 Wyndham Street North, Guelph N1H 7T8
89	431 Valois Drive	450 Valois Drive, Mattawa P0H 1V0

Other changes to store operations during the year included the converting of an additional 12 conventional Board stores to self-serve operations at their existing locations and the closing of three stores:

Store	Location
35	2080 Wyandotte Street West, Windsor
187	5826 Main Street North, Niagara Falls
234	6 Glen Watford Drive, Agincourt

In keeping with the Board's policy of conversion to self-serve operations, there were 500 self-serve stores at March 31, 1984 representing 83 per cent of the Board's total number of stores at fiscal year-end.

Agency Stores

During the year two agency stores were reopened and six agency stores changed ownership. At March 31, 1984, there were 69 agency stores in operation.

Breweries and Brewers' Retail Stores

The number of stores in operation as of March 31, 1984 remained unchanged from last year, at 445.

Sales by Breweries to Other Provinces and Countries

(in gallons)

	1984	1983	1982	1981	1980
Sales to Other Provinces	300,638	440,726	379,517	407,444	350,064
Export Sales	25,198,834	23,329,790	21,687,065	21,435,453	22,404,473
	25,499,472	23,770,516	22,066,582	21,842,897	22,754,537

All brands of beer produced by the 16 breweries which are licensed to sell beer in Ontario were analyzed on a rotational basis by the Board, as in previous years. This quality control process ensured that beer sold in the province conforms with the regulations passed pursuant to The Food and Drug Act of Canada, 1953, and the standards set by the Board.

Wineries and Winery Retail Stores

With the granting of Ontario wine licences to Reif Winery Inc., Niagara-on-the-Lake, April 1, 1983 and Pelee Island Winery Inc., Kingsville on June 27, 1983, the number of wineries in operation at fiscal year-end was 14.

There was a net increase of 24 winery retail stores during the year as a total of 178 wine stores (112 regular and 66 mini stores) were in operation throughout Ontario at March 31, 1984.

Sales by Wineries to Other Provinces and Countries
(in gallons)

	1984	1983	1982	1981	1980
Sales to Other Provinces	1,442,609	1,794,434	2,204,887	2,005,301	2,360,801
Export Sales	33,832	85,437	157,907	122,225	42,049
	1,476,441	1,879,871	2,362,794	2,127,526	2,402,850

The tonnage of Ontario grapes and apples used by the various Ontario wineries over the past five years is as follows:

	1984	1983	1982	1981	1980
Grapes used in the manufacture of wine	49,748	36,103	35,741	40,241	43,011
Grapes used in the manufacture of concentrate	4,257	1,326	2,898	4,331	1,252
Apples used in the manufacture of cider	417	552	164	588	376
	54,422	37,981	38,803	45,160	44,639

The following quantities of wine (in gallons) were imported for blending in accordance with the conditions of the Wine Content Act, 1976:

1984	1983	1982	1981	1980
914,360	786,395	843,078	675,446	414,143

Warehousing and Distribution Division

The dominant activity of the Warehouse Division during the past fiscal year continued to be the Whitby Warehouse project. Activity progressed during the year with only minor delays in the schedule and at year-end the project was running under budget. The building construction was completed with the exception of corrections to minor deficiencies. The material handling equipment was installed ready for testing and commissioning. The employee relocation program continued smoothly as the warehouse management team assignments have been made and this staff has assumed their positions at the warehouse. During the current fiscal year the total project will be completed and the warehouse will be in full operation.

Total shipment activity for the year from the Board's distribution warehouses to retail stores was 12,497,000 cases. This represents a decline of 3.8% which is consistent with the decrease in store sales for the year.

Products Division

The Liquor Control Board of Ontario lists products from most countries of the world. This varied selection, as listed below, is regarded internationally among the best available.

The method of ordering imported products by the Products Division changed during the year as a prototype forecasting—ordering system was introduced for fast moving products. Future plans are for an expansion of this system to all imported brands as average inventory levels have been reduced and inventory turnover and service levels improved.

Laboratory analysis continued as an important function of the Products Division. All alcoholic beverages sold in Ontario were analyzed for compliance with Federal and Provincial regulations and 5,175 samples were tested. An instrument was purchased to electronically measure clarity of products and clarity standards are being established. Modern technology is also being used in the determination of trace elements in samples. Use of a new atomic absorption instrument is being evaluated with a view to providing a fully automated analysis of these important quality control criteria.

L.C.B.O. Product Listings as at March 31, 1984

Domestic		Imported	
Canadian Whisky	175	Whisky—Scotch	79
Canadian Blended Rums	108	—Irish	2
Canadian Gin	67	—Bourbon	5
Canadian Vodka	72	—Tennessee	2
Canadian Brandy	7	Gin	11
Canadian Blended Brandy	15	Rum	18
Alcohol	5	Vodka	7
Fruit Spirits	5	Tequila	5
Miscellaneous Liquors	9	Brandy	53
Canadian Liqueurs	117	Fruit Spirits	6
Ontario Wine	550	Miscellaneous Liquors	18
Other Canadian Wine	17	Liqueurs	58
Canadian Cider	7	Wine	720
Canadian Beer	166	Cider	2
Specialty Items	1	Beer & Sake	23
		Specialty Items	29
	1,321		1,038

Total Regular Listings	2,359
Rare Wine and Spirits	510
Duty Free Listings	57
Total Product Listings	2,926

Personnel

The number of Board members and permanent employees of the various divisions of the Board is as follows:

	March 31, 1984	March 31, 1983
Board Members	4	5
Staff of Departments		
Chairman's Office	1	1
General Manager	23	22
Accounting	59	58
Audit	42	45
Bottling	19	20
Building Maintenance	13	16
Data Processing	43	46
Distribution Analysis	7	7
Laboratory	10	10
Legal	2	2
Mail & Multigraph	8	8
Personnel	24	24
Planning	5	5
Product Administration	28	30
Properties Management	15	15
Purchasing	2	2
Records Management	4	4
Security Services	3	5
Stores	2,725	2,757
Store Operations	46	43
Warehouses	341	340
Warehouse Administration	16	16
	3,436	3,476

In addition there were 1,977 temporary employees as of March 31, 1984 and of this total 1,951 were employed in Board stores compared to 1,841 temporary employees as at March 31, 1983 of which 1,815 were employed in Board stores.